



Political and Lobbying Activities of 501(c)(3) Organizations

June 28, 2005



What is an Exempt Organization?

- A trust, association, or corporation *not* organized for profit (i.e., *nonprofit*)
- Described in the Internal Revenue Code as *exempt* from *Federal Income Tax*.



§501(c)(3) Status:

An organization must be
organized and operated
exclusively for an *exempt*
purpose

June 28, 2005



Jeopardizing § 501(c)(3) Status

- Any activity providing a substantial *private benefit* to others
- Any amount of *inurement* to insiders
- Any substantial *unrelated business activity*



Jeopardizing § 501(c)(3) Status

- *Political Activity* – Absolutely prohibited
- *Lobbying* – cannot be a substantial activity of the organization

June 28, 2005



Political Activity (Prohibited)

Direct and indirect candidate support, including:

- Contributions
 - To candidates
 - To PACs
- Participation in campaigns
- Public statements for/against a particular candidate

June 28, 2005



Lobbying

Attempting to influence legislation through:

- Directly contacting members of a legislative body
- Encouraging the public to contact members of a legislative body
- Advocating a position on a public referendum

June 28, 2005



Limited Lobbying is Permitted

Measured by either the “*Substantial Part*” test:

- “Facts and Circumstances”
- Proportion of organization activity related to lobbying
- All activity, including volunteers’ activities

OR

June 28, 2005



Measured by the *Expenditure* Test:

- Organization must make “Section 501(h) Election” – *churches cannot so elect*
- Proportion of organization’s expenditures related to lobbying (not activities)
- § 4911 tax on excess expenditures
- Revocation only if multiple years of excess expenditures

June 28, 2005



General Advocacy

- Influence Public Opinion
- Influence Non-Legislative Governing Bodies (the executive branch, regulators)
- Encourage Voter Participation:
 - Voter Registration
 - GOTV Drives
 - Voter Guides
 - Candidate Debates

June 28, 2005



Summary

For §501(c)(3) Organizations:

- Political Activity Prohibited
 - Possible Revocation
 - Tax under §4955
- Lobbying Limited
- Other Advocacy Permitted

June 28, 2005

For More Information

- IRS Charities & Nonprofits Website:
www.irs.gov/eo
- TE/GE Customer Account Services:
 - (877) 829-5500 (toll-free)
 - P.O. Box 2508
Cincinnati, OH 45201
- Subscribe to EO Update:
eo-update-subscribe@lists.qai.irs.gov

June 28, 2005